

Negotiating Realistic Estimates and Schedules: Maximizing Your Power to Reach Win-Win Results

by George Pitagorsky

Have you ever been in a project that had time and cost constraints that were never going to be met? If you have, you know the pain that everyone suffers when they try to do the impossible.

Effective project managers cultivate the courage and competency to push back against *arbitrary* budgets and deadlines to negotiate realistic win-win cost and schedule estimates for their projects. This article explores how to negotiate realistic estimates to set realistic expectations.

Negotiation Basics: Courage and Competency

In my book, *The Zen Approach to Project Management*, I reflect on a boss I once had who would say, "Well, if you can't do it, we'll find someone who can." Coming from a superior or a client, such an exclamation can bring about fear in a project manager. You need courage to negotiate with powerful people. Overcoming the fear and responding in a way that opens negotiation is essential.

Do you have the courage to say, "Maybe you'll be able to find someone who will *say* they can do it, but can they? Let's see how my team can meet your needs." If the other party is rational, you are into the negotiation.

Your goal is to achieve an agreement that satisfies the client's needs and the needs of you and your team. You want to set realistic expectations regarding uncertainty, trade-offs, and role requirements. This is the essence of *win-win* negotiation.

Competency means coming to the negotiation with the right information in the right form to enable win-win negotiation. It means asking the right questions to get all stakeholders to see the reality of the situation. It means being ready with a best alternative to a negotiated agreement (BATNA). Competency reduces the need for courage.

Explore the Realities of Project Work

Project managers who seek realistic estimates ensure that clients, sponsors, and project performers understand the realities of project estimating:

- Trade-offs among time, cost, scope/quality, and resource constraints are normal.
- Uncertainty is certain.
- Mostly, it is better to deliver a quality product late and over budget than it is to deliver a poor quality product on time and within budget.

Realistic estimates come from project managers who have a realistic understanding of the project. To that end:

- Focus on the project at hand. Avoid theory and generalities. Avoid making firm agreements until all the facts of the situation are known.
- Ask questions. Explore the differences between desires and needs. Explore the potential impacts of unmet expectations.
- Get a sense of priorities. To send a message that there may be a need for trade-offs, ask clients to give relative scores for each requirement. Remember, target dates are requirements that become part of the negotiation.
- Question the degree to which trade-offs in quality will affect the cost of product life. Are the client and sponsor aware of them and willing to be accountable for short-term gains with long-term losses?
- Explore the uncertainty of setting or changing requirements. Determine the number of people who are to be involved in determining and accepting requirements, their expected involvement and availability, and the approval process. These underlie potential difficulties in requirements definition that impact estimates and schedules.

If requirements are to be firmed up later, make sure that the scope of the work is well defined and that there is sufficient budget and time for a discovery process. Is there an existing model in the client's mind, and is it in keeping with the sponsor's vision and the visions of other stakeholders?

- Know your project's product design and technology. If your project relies on an existing design or technology, is it stable? Does it support the requirements? Are learning curves and available expert support required?
- Understand what is out of your control. Are regulatory restrictions involved? Are external permits, acceptances, or licenses required? Are vendors required? If external stakeholders are on the critical path, are they motivated to get things done in your time frame? Build in realistic waiting time, and be clear with your client about the risk of delays that are outside of your control.
- Acknowledge that even realistic aggressive schedules increase risk. Is the risk understood and acceptable? Is the client willing to be accountable for potential impacts?
- Assess the level of project complexity. It increases costs and schedules. It is a function of cultural and logistical variations; the quantity and quality of the relationships among people, groups, and components; and other factors. Help the client paint the picture of complexity by using leading questions. Then the client will be hard pressed to argue against the time and effort you include for managing that complexity.



- As much as possible, refer to past experience.

And finally, take a firm stance for realism. Ideally, both parties will seek greater realism, and that often means a higher cost and longer schedule. Remember, the goal of the negotiation is a plan that is highly likely to be actualized to satisfy realistic expectations.

Rely on a Well-Articulated Plan

When negotiating, become like Mr. Spock of *Star Trek* fame: Spock was all about things being logical and making sense. Any negotiation needs a well-articulated and logical argument – a plan. Avoid the common mistakes:

1. Single point estimates send a message of certainty. Instead, identify alternative scenarios that address constraints under varying assumptions. Substantiate the points in your estimate with realistic assumptions.
2. Insufficient detail makes the negotiation a clash of opinions. Excessive detail clouds the issue. A tool like Microsoft® Office Project 2007 ensures that task/activity identification, activity estimating, dependency analysis, risk management, and realistic resource leveling support your estimates.

The right level of detail depends on the people you are negotiating with and the nature of the estimate. Early on, the project estimates may have little detail. Executives prefer estimates to be rolled up into summaries. Definitive estimates are at the work-package level. Go at least one level of detail below the one you will present to support your estimate and your own confidence level.

3. Absence of a contingency reserve signals insufficient risk assessment or that risk and contingencies are being hidden. Be ready with a sound set of assumptions and risks to justify the reserve. Base it on past experience. Ask whether your client would rather have the reserve in the estimate, an increased estimate that hides the reserve, or an unrealistic estimate.

BATNA

A best alternative to a negotiated agreement (BATNA) is your fallback if you and your negotiation partner cannot come to terms. Your BATNA depends on your situation. It may be to accept a forced deadline and another round of project hell – rushing, apologizing, accepting harsh criticism for being late or over budget – or it may be to walk away from the project opportunity. Always know your BATNA.

Conclusion

Realistic expectations are a critical success factor for any project.

Estimate and schedule negotiation is the process of achieving a win-win result in which expectations are realistic and therefore likely to be met. A successful negotiation requires a dynamic balance between the courage needed to push back and the competency to present a well-articulated argument founded on sound project management principles.

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